

Message Text

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PAGE 01 LUANDA 00291 200808Z

10

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TO SECSTATE WASHDC 3334

INFO AMEMBASSY LISBON

AMEMBASSY KINSHASA

AMEMBASSY LONDON

C O N F I D E N T I A L LUANDA 0291

E.O. 11652: GDS

TAGS: EFIN EINV PINT AO PO

SUBJ: PORTUGUESE BANKING NATIONALIZATION

1. CONVENED BY THE MANAGEMENT OF BANCO INTER-UNIDO (OWNED 50-50 BY CITYCORP AND THE ESPIRITO SANTO FAMILY), REPRESENTATIVES OF ANGOLA'S FIVE COMMERCIAL BANKS MET MARCH 17 TO DISCUSS A JOINT APPROACH TO THE TRANSITIONAL GOVERNMENT ON THE IMPLICATIONS FOR ANGOLA OF PORTUGAL'S NATIONALIZATION OF THE BANKING INDUSTRY. ALTHOUGH A MAJORITY OF THE BANKS FEEL LISBON'S ACTION MAKES THE PORTUGUESE GOVERNMENT LEGALLY A SENIOR PARTNER (ABOUT 67 PERCENT) IN ANGOLAN BANKING, THE GROUP REJECTED THE IDEA OF AN IMMEDIATE JOINT APPROACH TO THE TRANSITION GOVERNMENT.

2. DURING THE MEETING IN INTER-UNIDO'S OFFICES, THE ADMINISTRATOR OF BANCO PINTO E SOTO MAYOR RECEIVED WORD THAT HE HAD BEEN DISMISSED AND WAS FORBIDDEN TO ENTER HIS BANK. (LIKE BANCO CREDITO COMERCIAL INDUSTRIAL, BANCO PINTO E SOTO MAYOR HERE IS A BRANCH OF THE PORTUGUESE PARENT BANK.)

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PAGE 02 LUANDA 00291 200808Z

EM FOLLOWING THE MEETING INTER-UNIDO REPRESENTATIVES MET WITH

UNITA PRESIDENTIAL COUNCIL MEMBER JOSE N'DELE AND - THROUGH THE ZAIRIAN CONSULATE - DELIVERED A MEMORANDUM TO FNLA'S JOHNNY EDUARDO. N'DELE AT FIRST EXPRESSED DISBELIEF THAT THE PORTUGUESE STATE WAS IN FACT THE NEW MAJORITY OWNER OF ANGOLA'S BANKS BUT AS THE MEETING PROGRESSED ACKNOWLEDGED THE SERIOUSNESS OF SUCH AN INTERPRETATION OF PORTUGAL'S ACTION AND PROMISED TO RAISE THE MATTER WITH HIS FNLA AND MPLA COUNTERPARTS AS SOON AS POSSIBLE.

4. THE AMCIT MANAGER OF BANCO INTER-UNIDO LEFT MARCH 18 FOR NEW YORK TO DISCUSS THE SITUATION WITH CITYCORP OFFICERS. CITYCORP WANTS TO EITHER BUY ESPIRITO SANTO'S 50 PERCENT INTEREST OR SELL ITS HALF TO THE GOP, PREFERABLY THE FORMER. BEFORE ATTEMPTING EITHER COURSE, HOWEVER, CITYBANK MUST AWAIT THE TRANSITIONAL GOVERNMENT'S OPINION AS TO THE LEGAL EFFECT HERE OF PORTUGAL'S ACT.

5. THERE HAS YET BEEN NO DISCERNIBLE LOCAL REACTION TO THE PORTUGUESE NATIONALIZATIONS. THE EXTENT, DIRECTION AND SPEED OF THE REACTION WILL DEPEND ON HOW SOON THE LIBERATION GROUPS REALIZE THE IMPLICATIONS FOR ANGOLA AND THE ATTITUDES THEY TAKE TOWARD THIS DEVELOPMENT.

6. THE TRANSITIONAL GOVERNMENT APPEARS TO HAVE THREE MAIN OPTIONS: A) ACCEPT, AT LEAST UNTIL INDEPENDENCE, PORTUGUESE GOVERNMENT CONTROL OF ANGOLAN BANKING; B) NATIONALIZE IN TURN THE PORTUGUESE NATIONALIZERS OR C) DECLARE THAT THE PORTUGUESE OWNERS RETAIN CONTROL OF THAT PORTION OF THEIR PROPERTY LOCATED IN ANGOLA. CHOOSING ANY BUT THE FIRST OPTION IS COMPLICATED BY THE FACT PORTUGAL IS STILL LEGALLY THE SOVEREIGN POWER HERE, OPTION C IS FURTHER COMPLICATED BY BOTH BANCO PINTO E SOTO MAYOR AND BANCO COMERCIAL DE ANGOLA HAVING PLEDGED LARGE AMOUNTS OF THEIR STOCK TO SECURE LOANS FROM THEIR NOW NATIONALIZED PARENT BANKS. EARLY INDICATIONS ARE THAT THE PORTUGUESE OWNERS WILL TRY

TO CONVINCE UNITA AND FNLA TO PRESS THE TRANSITIONAL GOVERNMENT TO REJECT ON PRINCIPLE THE CONTENTION THAT PORTUGAL'S ACTION HAS ANY LEGAL EFFECT HERE, I.E., TAKE OPTION C. S
KILLORAN

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